

of external and direct internal investment expense). Institutions that separately report investment spending as operating revenue (e.g. spending from funds functioning as endowments) and remaining net investment return as a non-operating item, will need to aggregate these two amounts to determine if there is a net investment gain or a net investment loss (net investment gains are included with total gains).

\* Net assets with donor restrictions: restricted in perpetuity is subtracted from total net assets. The amount of net assets with donor restrictions: restricted in perpetuity is disclosed as a line item, part of a line item (if part of a line item it must also include a note disclosure of the actual amount) or a note, or a note in the financial statements.

\*\*\_Annuities, term endowments and life income funds with donor restrictions are subtracted from total net assets. The amount of annuities, term endowments and life income funds with donor restrictions is disclosed in as a line item (if part of a line item it must also include a note disclosure of the actual amount) or a note, or a note in the financial statements.

\*\*\*The value of property, plant and equipment includes construction in progress and lease right-of-use assets and is net of accumulated depreciation/amortization.

\*\*\*\* All Debt obtained for long-term purposes, not to exceed total net property, plant and equipment includes lease liabilities for lease right-of-use assets and the short-term portion of the debt, up to the amount of net property, plant and equipment and construction in progress short-term lines of credit and notes payable, not to exceed total construction in progress. If an institution wishes to include the debt, including debt obtained through long-term lines of credit in total debt obtained for long-term purposes, the institution must include a disclosure in the financial statements that the debt, including lines of credit exceeds twelve months and was used to fund capitalized assets (i.e. property, plant and equipment or capitalized expenditures per Generally Accepted Accounting Principles (GAAP)). If an institution wishes to include short-term lines of credit or notes payable for construction in progress, the institution must include a disclosure in notes of the financial statements. The disclosures that must be presented for any debt to be included in expendable net assets include the issue date, term, nature of capitalized amounts and amounts capitalized. Institutions that do not include debt in total debt obtained for long-term purposes, including long-term lines of credit, do not need to provide any additional disclosures other than those required by GAAP. The debt obtained for long-term purposes will be limited to only those amounts disclosed in the financial statements that were used to fund capitalized assets. Any debt amount including long-term lines of credit used to fund operations must be excluded from debt obtained for long-term purposes.

The basis for the pre-implementation PP&E and qualified debt obtained for long-term purposes will be the amounts reported in the institutions most recently accepted financial statement submission to the Department prior to the effective date of these regulations. An institution must adjust the amount of pre-implementation debt by any payments or other reductions and the pre-implementation PP&E by any depreciation/amortization or other reductions in subsequent years. Post-implementation debt will be the amount of debt that an institution used to obtain PP&E since the end of the fiscal year of its most recently accepted financial statement submission to the Department prior to the effective date of these regulations less